

THE JOHN BIRCH SOCIETY, INCORPORATED

ACCOUNTANTS' REPORT

For the Year Ended December 31, 1964

SPARK, MANN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
60 STATE STREET
BOSTON

SPARK, MANN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
60 STATE STREET
BOSTON, MASSACHUSETTS 02109

March 19, 1965

To the Board of Directors
The John Birch Society, Incorporated
395 Concord Avenue
Belmont, Massachusetts

We have examined the balance sheet of The John Birch Society, Incorporated (a Massachusetts corporation organized under Chapter 180 of the laws of the Commonwealth) as of December 31, 1964 and the related statement of income and expenses and deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Contributions were solicited in part by means of literature which was made available by the Society to interested parties, and the collections of local chapter membership dues are reflected only to the extent that such collections have been received by the Society's home office; accordingly, it was impracticable for us to extend our examination of contributions and membership dues received beyond accounting for amounts so recorded by the home office.

In our opinion, the accompanying balance sheet and related statement of income and expenses and deficit present fairly the financial position of

The John Birch Society, Incorporated at December 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Spark, Mann & Company

THE JOHN BIRCH SOCIETY, INCORPORATED

BALANCE SHEET

December 31, 1964

ASSETS

Cash	
Accounts Receivable - less allowance of \$3,338.21 for doubtful accounts	\$17,135.13
Inventory of Books, etc. - at lower of cost or market	65,236.11
Equipment, etc. - less accumulated depreciation of \$23,194.33	59,943.22
Prepaid Expenses	34,175.36
Marketable Securities - at cost (market value \$9,350.00)	6,647.85
Investment in Robert Welch, Inc. - at nominal value	9,748.70
	<u>2.00</u>
	<u>\$192,888.37</u>

LIABILITIES

Notes Payable - Unsecured:	
Non-interest bearing - demand	\$1,000.00
5% - demand	<u>10,000.00</u>
	\$11,000.00
Accounts Payable:	
Robert Welch, Inc.	169,202.26
Correction, Please!, Inc.	7,369.54
Other	<u>96,839.19</u>
Accrued Expenses	273,410.99
	<u>40,950.34</u>
	325,361.33
Deficit	<u>132,472.96</u>
	<u>\$192,888.37</u>

Note: At December 31, 1964, the Society was named as defendant in various lawsuits aggregating \$9,300,000 for punitive and compensatory damages alleged to have resulted from circulation of unfavorable material by the Society or its members and from conspiracy which resulted in false arrest. These lawsuits are still pending and the extent to which the Society may become liable, if any, is not now ascertainable. Additionally, The John Birch Society, Incorporated has a law suit pending against the Huntley-Brinkley newscasting team and the National Broadcasting Company in the amount of \$2,000,000 for damages alleged to have resulted from a slanderous and libelous newscast by the team during 1964. This litigation was still in the pre-trial stage at December 31, 1964.

THE JOHN BIRCH SOCIETY, INCORPORATED

STATEMENT OF INCOME AND EXPENSES AND DEFICIT

For the Year Ended December 31, 1964

INCOME:

Membership dues	\$536,566.35
Contributions, etc.	875,220.14
Sales of publications, etc.	165,062.81
Advertising service fees	59,541.40
Speeches and seminars	31,061.62
Services - Correction, Please!, Inc.	13,170.75
Dividend income	<u>1,894.15</u>

TOTAL INCOME

\$1,682,517.22

EXPENSES:

Salaries	751,692.46
Payroll taxes	29,709.80
Coordinators - travel and expenses	264,032.86
Promotion	88,946.37
Printing and publications	221,481.81
Rent and office services:	
Robert Welch, Inc. (net)	\$13,431.52
Other	<u>9,050.00</u>
Postage	22,481.52
Stationery and office supplies	70,166.45
Shipping supplies	41,037.10
Depreciation	5,078.57
Telephone and telegraph	8,294.54
Film presentation fees, etc.	19,461.27
Speeches and seminars	49,563.62
Legal and audit	7,888.21
Bad debts	11,839.90
Insurance and interest	5,418.51
Taxes - other	2,827.92
Sundry - net	<u>1,707.51</u>
	<u>2,407.16</u>

TOTAL EXPENSES

1,604,035.58

NET INCOME FOR THE YEAR

78,481.64

DEFICIT - JANUARY 1, 1964

210,954.60

DEFICIT - DECEMBER 31, 1964

\$132,472.96

Note: No provision for federal income tax is required due to the application of a net operating loss carry-forward computed in accordance with the provisions of the Internal Revenue Code.

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BOSTON, MASSACHUSETTS 02109

March 19, 1965

To the Board of Directors
Robert Welch, Inc.
100 Concord Avenue
Boston, Massachusetts

We have examined the balance sheet of Robert Welch, Inc., as of December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and a review of the auditing procedures as we considered necessary in the circumstances. We are not able to independently confirm a liability of \$29,000.00 due to a subscriber on a 4 1/2 month promissory note, but we satisfied ourselves as to this liability by other procedures.

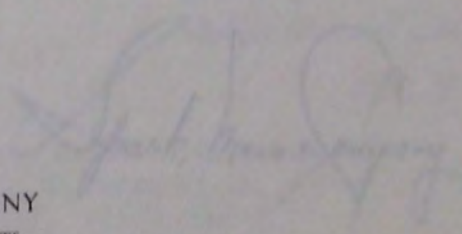
ROBERT WELCH, INC.

FINANCIAL STATEMENTS

December 31, 1964

In our opinion, subject to the collectibility of the amounts due from The John Birch Society, Incorporated (\$169,000.26), and Corporation, Fiscal, Inc. (\$12,500.15), the accompanying balance sheet presents fairly the financial position of Robert Welch, Inc. at December 31, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of income and expense and surplus for the year ended December 31, 1964, has been prepared from the books and records of the company and is not subject to independent verification.



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March 19, 1965

To the Board of Directors
Robert Welch, Inc.
395 Concord Avenue
Belmont, Massachusetts

We have examined the balance sheet of Robert Welch, Inc. as of December 31, 1964. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We were not able to independently confirm a liability of \$85,000.00 due to a subscriber on a 4% demand promissory note, but we satisfied ourselves as to this liability by other procedures.

In our opinion, subject to the collectibility of the amounts due from The John Birch Society, Incorporated (\$169,202.26), and Correction, Please!, Inc. (\$12,322.15), the accompanying balance sheet presents fairly the financial position of Robert Welch, Inc. at December 31, 1964, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The accompanying statement of income and expenses and earned surplus for the year ended December 31, 1964 has been prepared from the books of account without verification.

Spark, Mann & Company

ROBERT WELCH, INC.

BALANCE SHEET

December 31, 1964

ASSETS

Cash	\$18,793.80
Accounts Receivable - less allowance of \$19,596.71 for doubtful accounts	189,389.06
Inventory of Books, etc. - at lower of cost or market	187,659.67
Due from The John Birch Society, Incorporated	169,202.26
Due from Correction, Please!, Inc.	12,322.15
Furniture and Equipment - less accumulated depreciation of \$30,732.46	56,260.16
Automobile - less accumulated depreciation of \$332.30	1,262.70
Leasehold Improvements - unamortized balance	459.33
Prepaid Expenses, Etc.	<u>7,012.84</u>
<u>TOTAL ASSETS</u>	<u>\$642,361.97</u>

LIABILITIES AND CAPITAL

NOTES PAYABLE - SUBSCRIBERS AND

CUSTOMERS - UNSECURED:

5% - due July 11, 1965	\$1,000.00	
5% - due December 10, 1964	5,000.00	
4% - demand	<u>85,000.00</u>	\$91,000.00
Accounts Payable and Accrued Expenses		311,201.69
Deferred Subscriptions Income		52,995.90
Federal Income Tax		14,785.23
Other Federal and State Taxes		<u>6,315.97</u>
<u>TOTAL LIABILITIES</u>		476,298.79

CAPITAL:

Preferred stock - 5% cumulative - par value \$100 a share		
Authorized 11,000 shares		
Issued and outstanding 1,381 shares	138,100.00	
Common stock - no par value		
Authorized - 20,000 shares		
Issued and outstanding 14,801 shares	14,801.00	
Earned surplus	<u>13,162.18</u>	<u>166,063.18</u>
<u>TOTAL LIABILITIES AND CAPITAL</u>		<u>\$642,361.97</u>

Note: Dividends in arrears (not waived) on the outstanding cumulative preferred stock amounted to \$5,455.50 at December 31, 1964.

ROBERT WELCH, INC.
STATEMENT OF INCOME AND EXPENSES AND EARNED SURPLUS
For the Year Ended December 31, 1964

INCOME:

Sales of publications
 Advertising, etc.
 Speaking fees

\$1,007,761.74
 28,527.56
60,623.09

TOTAL INCOME

1,096,912.39

EXPENSES:

Salaries
 Payroll taxes
 Printing and publications
 Speakers' fees
 Rent and electricity
 Postage and shipping supplies
 Guest articles
 Office expense
 Stationery and supplies
 Telephone and telegraph
 Depreciation and amortization
 Research
 Dues and subscriptions
 Travel
 Royalties
 Professional fees
 Taxes
 Bad debts
 Promotion
 Interest
 Insurance
 Sundry

\$155,037.62
 9,424.04
 542,559.91
 35,966.11
 22,497.62
 101,402.13
 42,590.50
 6,453.26
 29,169.98
 11,819.91
 9,999.45
 698.49
 925.29
 24,750.57
 10,502.86
 23,989.00
 6,224.00
 12,098.78
 625.38
 3,289.57
 7,545.49
2,237.40

1,059,807.36

Less - Rent and office services

charged to:

The John Birch Society,
 Incorporated
 Correction, Please!,
 Inc.

\$13,431.52

1,898.27 15,329.79

NET EXPENSES

1,044,477.57

INCOME - Before Provision for
 Federal Income Tax

52,434.82

Provision for Federal Income Tax

14,785.23

NET INCOME FOR THE YEAR

37,649.59

EARNED SURPLUS (DEFICIT) - JANUARY 1, 1964

(10,051.76)

27,597.83

Dividends paid on preferred stock (arrearage to
 December 31, 1963 including \$7,626.08
 previously waived by preferred stockholders)

14,435.65

EARNED SURPLUS - DECEMBER 31, 1964

\$13,162.18

Note: Prepared from the books of account without verification.